

Idaho Legislative Audits
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Idaho Commission on the Arts

Management Report on Internal Control

Issued: July 27, 2005
Fiscal Year: 2003 and 2004



EXECUTIVE SUMMARY LEGISLATIVE AUDITS

IDAHO COMMISSION ON THE ARTS

PURPOSE AND SCOPE. In planning and making our audit of the statewide basic financial statements, we performed certain audit procedures to evaluate the effectiveness of the Idaho Commission on the Art's internal control design and operation. Consequently, the limited scope of our procedures does not allow us to give an opinion on the Commission's internal control system. Accordingly, we do not express an opinion or ensure that all instances of internal control weaknesses were disclosed.

Our purpose was to indicate where internal controls could be strengthened to help ensure accurate financial statements and data. This evaluation, together with other evaluations and various audit procedures applied at other agencies, allows us to express an opinion on the statewide basic financial statements prepared by the State Controller's Office.

CONCLUSION. The one finding and recommendation noted as a result of applying the audit procedures referred to above, if addressed, would improve and strengthen the Commission's internal control structure and operating efficiency. These matters are discussed in the findings and recommendations section of this report.

FINDINGS AND RECOMMENDATIONS. We have summarized the finding and recommendation below. The recommendation is made to assist management in fulfilling its responsibility to establish and maintain adequate internal controls.

FINDING #1. The Commission is not in compliance with federal grant cash management requirements.

Cash advances made from federal grants are not expended in accordance with cash management requirements of the National Endowment for the Arts (NEA). In some instances, the Commission took up to six months to spend federal cash advances, even though the NEA requires advances to be spent within 30 days.

We recommend that the Commission's staff receive additional grant management training and, in the future, comply with all grant restrictions.

PRIOR FINDINGS AND RECOMMENDATIONS. There were two findings and recommendations in the prior report, as summarized below:

PRIOR FINDING #1. The Commission's accounting practices needed improvement. Problems at the Commission included not being able to reconcile federal receipts to expenditures, grant advances not properly tracked, and documents not properly coded. We recommended that the Commission improve accounting by implementing a policy for charging expenditures to grants, reconciling federal expenditures, accounting for advances, and completing reviews in a timely manner. Federal receipts can now be tracked to specific expenditures, grant advances are tracked, and final grant payments are not made until all the required documentation has been received. Management has implemented various reviews to increase coding accuracy. **CLOSED**

PRIOR FINDING #2. The Commission did not always comply with State travel policies. We recommended that the Commission retain documentation to support compliance with travel policies and to ensure appropriate meal reimbursements. The Commission's staff is now aware of State travel policies. The Commission provided additional training regarding travel issues, and is now closely reviewing expenditures for compliance with State travel policies. **CLOSED**

AGENCY RESPONSE. The Commission has reviewed this report and is in general agreement with its contents.

FINANCIAL SUMMARY. The Commission is funded by a General Fund appropriation, federal NEA grants, donations, and the sale of goods and services. The funds are used for administration of the Commission and to fund art education, art performances, and exhibits.

Fiscal year 2004 total costs included personnel costs, operating expenditures, trustee and benefit payments, and transfers of approximately \$505,800, \$323,500, \$634,200, and \$41,800, respectively.

Although an opinion is not given on the financial data presented in this report, one is given on all State funds in the statewide *Comprehensive Annual Financial Report* that includes the financial data presented here.

Idaho Commission on the Arts – Financial Summary

FISCAL YEAR 2003

	Beginning Appropriation/ Free Fund Balance	Receipts/ Transfers In	Disbursements/ Transfers Out	Ending Appropriation/ Free Fund Balance
General Fund 0001 (Appropriation)	854,800.00	1,212.00	819,059.99	36,952.01
Federal Fund 0348	199,878.27	579,200.00	642,566.77	136,511.50
Miscellaneous Revenue Fund 0349	44,161.65	75,005.86	77,394.97	41,772.54
Total	<u>1,098,839.92</u>	<u>655,417.86</u>	<u>1,539,021.73</u>	<u>215,236.05</u>

FISCAL YEAR 2004

	Beginning Appropriation/ Free Fund Balance	Receipts/ Transfers In	Disbursements/ Transfers Out	Ending Appropriation/ Free Fund Balance
General Fund 0001 (Appropriation)	827,600.00	13.00	827,600.00	13.00
Federal Fund 0348	136,511.50	616,563.37	582,619.20	170,455.67
Miscellaneous Revenue Fund 0349	41,772.54	125,158.72	94,977.72	71,953.54
Total	<u>1,005,884.04</u>	<u>741,735.09</u>	<u>1,505,196.92</u>	<u>242,422.21</u>

OTHER ISSUES. In addition to the findings and recommendations, we discussed other, less important issues which, if changed, would improve internal control, ensure compliance, or improve efficiency.

This report is intended solely for the information and use of the Idaho Commission on the Arts and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by Dan Harpole and his staff.

QUESTIONS CONCERNING THIS DOCUMENT SHOULD BE DIRECTED TO:

Ray Ineck, CGFM, Supervisor, Legislative Audits

Eugene Sparks, CPA, CGFM, Managing Auditor

Report IC13204

<p>For a copy of the entire audit report , contact Legislative Services Office, Audit Division, State Capitol Building, 700 W. Jefferson Street, P.O. Box 83720, Boise, Idaho 83720-0054, or call 208-334-3540.</p>
